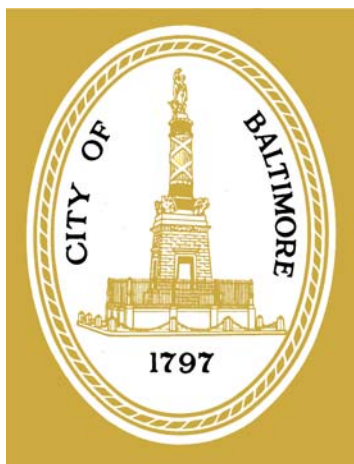


PERFORMANCE AUDIT REPORT

BALTIMORE CITY PARKING AUTHORITY

SEPTEMBER 2002



**City of Baltimore
Department of Audits**

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
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September 16, 2002

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates
City of Baltimore

We conducted an audit of the procedures related to the revenue generated and the expenses incurred through the operation of City-owned garages managed by the Baltimore City Parking Authority, Inc. (Parking Authority) and operated for the City by private vendors. Our audit focused on the key internal controls and procedures used by the Parking Authority related to these revenues and expenses during the six-month period from September 1, 2001 through February 28, 2002.

The purpose of our audit was to determine whether adequate internal controls and procedures were in place to ensure that: 1) parking garage revenue was properly collected, deposited and accounted for; and 2) payments to parking garage operators for the reimbursement of garage expenses were adequately supported, properly approved, and in compliance with contract provisions.

As a result of our audit, we identified several weaknesses in the accounting and collection procedures for parking revenue and expenses. We recommend that the Parking Authority:

- Reconcile reported parking garage revenue to the City's accounting records.
- Review and analyze the use of miscellaneous tickets.
- Monitor parking revenue procedures and records of the garage operators.
- Ensure that all subcontracts are pre-approved in writing and that key items such as rates are included.

We appreciate the cooperation and assistance provided by the staff members of the Parking Authority while conducting this audit. Their cooperation and assistance were instrumental to the completion of this audit.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

TABLE OF CONTENTS

Background Information	2
Audit Scope, Objectives and Methodology	3
Findings and Recommendations	4
Parking Revenue	
Parking revenue reported in the Daily Deposit Reports was not reconciled to revenue recorded in the City of Baltimore's accounting records.	4
Use of no-charge miscellaneous tickets was not monitored by the Parking Authority.	5
The Parking Authority did not adequately monitor the accounting procedures and records of the garage operators.	5
Parking Expenses	
The Parking Authority did not approve subcontractor service agreements in writing prior to their execution. Subcontracts for maintenance service on parking control equipment and for security services did not contain the agreed-upon fee for services.	7
Agency Response	Appendix I

Background Information

The Parking Authority (PA) is a quasi-organization of the City of Baltimore (City) that was created by an act of the Maryland General Assembly, Chapter 76 of 2000 and by Baltimore City Council Ordinance 2000-71, signed by the Mayor in July 2000. The PA's operations began in February 2001. During fiscal year 2002, the PA was funded by a \$1.1 million grant from the City. The PA is responsible for the management of the City's off-street parking facilities.

Actual parking revenues collected by the PA from non-metered, City-owned garages and lots during the period from September 1, 2001 through February 28, 2002 were \$7,056,998, and parking expenses for these garages and lots were \$3,111,167.

The PA manages 14 City-owned parking garages and more than 20 open-air parking lots (both metered and non-metered). The PA has contracted with private vendors to operate these garages and non-metered lots. Vendors are generally awarded five-year contracts to operate these facilities. Parking revenue is generated through daily transient and monthly parking fees. Daily collections are maintained in a safe on the parking garage premises and are deposited by the garage or lot operator with the City's Bureau of Collections on the next business day. The City's accounting records include a separate account for each garage and lot. The operators send Daily Deposit Reports, accompanied by copies of the cash deposit slips, to the PA for each garage and lot. The PA reviews these reports for mathematical accuracy and posts the data for each garage to a spreadsheet which can be used to prepare separate monthly reports for each garage as needed.

For certain garages, the PA receives parking fees directly from third parties for payment of monthly parking contracts. These parking payments are deposited with the City by the PA directly, or through the use of the City's miscellaneous billing system. City agencies that have contracted for monthly spaces at the City's off-street parking facilities are charged through journal entries prepared by the PA.

Operators are paid a management fee in accordance with the terms of the individual agreements with the City. In accordance with the contracts, routine expenses, such as salaries and wages, snow removal and telephone are the responsibility of the operators. Non-routine expenses, capital improvements, emergency repairs and security are the responsibility of the City. The operators submit requests for payment, including supporting documentation, to the PA for reimbursement of these non-routine expenses. Certain reimbursements require prior approval from the PA. The PA reviews these expense submissions for sufficiency and posts the data for each garage to a spreadsheet which is used to prepare separate monthly facility reports.

Audit Scope, Objectives and Methodology

We conducted a performance audit of the Baltimore City Parking Authority to evaluate its procedures related to the parking revenue generated at City-owned garages and expense reimbursements to the parking garage operators for the period from September 1, 2001 through February 28, 2002. Our audit was conducted in accordance with generally accepted *Government Auditing Standards* related to performance audits, issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The objectives of our audit were to determine whether adequate internal controls were in place to ensure that: 1) parking garage revenue was properly collected, deposited and accounted for; and 2) payments to parking garage operators for the reimbursement of garage expenses were adequately supported, properly approved, and in compliance with contract provisions.

To accomplish our objectives, we obtained an understanding of the operations of the PA and its policies and procedures related to parking garage revenue and operating expenses. We performed tests of parking revenue and parking expense transactions to determine compliance with the PA's policies and procedures.

For the six-month audit period, the parking garage operations accounted for 89% of the revenues and 95% of the expenses for off-street, non-metered parking. Accordingly, we focused on those facilities and did not include the open-air lots in our audit procedures or testing. We reviewed the revenues and expenditures for three garages for the period of September 1, 2001 through February 28, 2002. The three facilities selected were the Lexington Street, Franklin Street and Marriott garages. The companies operating the three garages were Danas Enterprises, Penn Parking, and PMS Parking, respectively.

Our audit findings and recommendations are detailed in the Findings and Recommendations section of this report. The PA's response is included as an appendix to this report.

Findings and Recommendations

Parking Revenue

Background

When motor vehicles enter the garages, the drivers either use their monthly parking cards or tickets are issued to the drivers. To exit, monthly parkers use their cards again, while transient parkers submit their tickets to the cashier and pay the appropriate fee. In either case, the transaction is recorded electronically.

For the three selected garages, total revenue collected by the PA during the six-month period from September 1, 2001 through February 28, 2002 was \$1,197,817. We performed revenue tests for each of the three garages for the two weeks of October 6 through October 12, 2001, and January 26 through February 1, 2002. We obtained the Daily Deposit Reports, parking tickets and cashier tapes for each day selected. We compared the actual tickets processed on each day by category to the reported number on the Daily Deposit Reports. Using the Daily Deposit Reports and the cashier tapes, we also traced each day's reported revenue to the City's accounting records.

In addition to our review of daily and monthly parking revenue deposited by the parking operators, we also reviewed other material revenue deposited by the PA or through the billing system to the City's accounts for these three garages. For the six-month period, revenue of \$281,460 was collected for these three garages in this manner. We compared the actual deposits recorded in the City's accounts to the amounts anticipated through the various third party agreements.

Conclusion

The PA did not reconcile parking revenue reported in the Daily Deposit Reports to revenue recorded in the City's accounting records. Additionally, the PA did not analyze or review the miscellaneous no-charge tickets or verify that they were appropriately classified. Furthermore, the PA did not verify monthly parking fees collected to lists of monthly parking customers maintained by the operators. The PA did not adequately monitor the accounting procedures and records of the garage operators.

Finding #1

Parking revenue reported in the Daily Deposit Reports was not reconciled to revenue recorded in the City of Baltimore's accounting records.

Analysis

Reported parking revenue from daily collections and from amounts billed and collected monthly from third parties was not reconciled to the City's accounting records. Monthly parking revenue of \$2,520 for the Lexington Street Garage that was received from a third party was posted to the wrong account. Monthly parking revenue of \$2,542 for the Lexington Street Garage that was due September 2001 was not paid until May 2002. We believe conditions such as these could have been corrected timely if the PA was performing monthly revenue reconciliations.

Recommendation

We recommend that the PA reconcile parking revenue reported in the Daily Deposit Reports to revenue recorded in the City's accounting records on a monthly basis and that errors be corrected in a timely manner.

Finding #2

Use of no-charge miscellaneous tickets was not monitored by the Parking Authority.

Analysis

The PA did not analyze or review the miscellaneous no-charge tickets or verify that they were appropriately classified. There are numerous reasons for no-charge tickets such as for security, delivery or repair vehicles and persons whose parking is paid for through other means. For the two weekly periods reviewed, 22% of 1,606 total tickets issued at Lexington Garage, 53% of 2,055 tickets at Franklin Garage, and 67% of 3,361 tickets at the Marriott Garage were miscellaneous tickets.

Recommendation

We recommend that the PA review the quantity of miscellaneous tickets processed for reasonableness. Fluctuations in the numbers of miscellaneous tickets processed each month should be investigated. Justification for classifying tickets as miscellaneous should be reviewed and categorized.

Finding #3

The Parking Authority did not adequately monitor the accounting procedures and records of the garage operators.

Analysis

The PA did not monitor or analyze the data submitted by garage operators to determine the reliability of that data. The PA did not fully utilize available automated data. Additionally, monitoring performed by the PA at the garages was primarily concerned with physical operations rather than accounting controls. Our review disclosed the following:

- The PA did not obtain listings of monthly customers which could be used to monitor and verify that the proper amount for monthly parking was collected and deposited. Additionally, parking fee deposits combine monthly fees with daily transient fees making any revenue reconciliations difficult.
- The PA did not analyze reported revenues for significant variances from expected or projected amounts and investigate those differences.
- The PA did not include the review of garage operators' procedures and accounting records in its site monitoring. Site visits, which began in October 2001, did not include procedures for the review and examination of the accounting records for parking revenue such as cash on hand, parking tickets, cash register tapes and ledgers.

- The PA did not reconcile the manual Daily Deposit Reports to the revenue reports generated by the automated system. Only one of the three garages selected for testing submitted the automated revenue reports to the PA.

Recommendation

We recommend that the PA obtain listings of monthly parking customers from the garage operators and use them to verify the deposit amounts for monthly parking fees. We also recommend that deposits of monthly parking fees be recorded separately from daily fees to facilitate the reconciliation process.

We recommend that the PA analyze parking data and compare actual results of each garage to projected revenue expectations. Reasons for poor revenue performance should be determined and addressed.

We recommend that site monitoring be enhanced to include review and testing of accounting procedures and records of the garage operators. For example, testing could include steps such as accounting for all the tickets processed and money collected at the time of the site visit and subsequently tracing collections to the City's accounting records and Daily Deposit Report. Any discrepancies should be investigated.

We recommend that the revenue reports from the automated system be required from each of the garages. Accordingly, these revenue reports should be reconciled to the Daily Deposit Reports. Differences should be accounted for and corrected.

Parking Expenses

Background

For each of the three garages selected, we reviewed the expenses, including management fees, that totaled \$559,152 for the period from September 1, 2001 through February 28, 2002.

Conclusion

The PA did not approve subcontractor service agreements in writing prior to their execution. Additionally, certain subcontracts did not specify the vendor's fee for performing the services.

Finding #4

The Parking Authority did not approve subcontractor service agreements in writing prior to their execution. Subcontracts for maintenance service on parking control equipment and for security services did not contain the agreed-upon fee for services.

Analysis

Subcontractor service agreements were not approved in writing by the PA prior to execution. Section DS-8c of the contracts with individual garage operators states that, "The contractor shall: Not enter into any lease, sub-lease, or *service agreement* with any third party without the City's prior written approval." Although the garage operators contracted with certain third party vendors for equipment maintenance and security services, documentation supporting the required prior written approval by the PA was not available for these contracts.

Subcontracts for maintenance of parking control equipment for the three garages tested did not specify the vendor's fee for the maintenance services. In addition, the subcontract for security services at the Marriott garage did not specify the hourly rate for such services. As a result, the City could be subjected to unexpected costs in the operation of these garages.

Recommendation

We recommend that the PA approve all subcontract agreements in writing prior to their execution and ensure that all subcontract agreements contain the agreed-upon price for services.

APPENDIX I

BALTIMORE CITY PARKING AUTHORITY'S

RESPONSE

TO THIS AUDIT



September 13, 2002

Ms. Yovonda D. Brooks, CPA
City Auditor
Room 321, City Hall
Baltimore, Maryland 21202

Dear Ms. Brooks:

We here at the Baltimore City Parking Authority, Inc (PABC) would like to commend and thank your team of auditors for the expertise demonstrated in their comprehensive Performance Audit Report related to our accounting practices for revenue and expenditures within the facilities we manage for the City of Baltimore. The objective in creating this organization was to enhance the City's position in planning, development, management and operations of the parking institution.

The PABC came into existence in February 2001 assuming all off-street and on-street functions administered by the former Department of Public Works, Parking Coordination Section with the addition of the Residential Parking Permit Programs.

The PABC spent the first year coordinating the administrative functions with an anticipated goal to develop standardize operating procedures and manuals for all activities administered by this organization within the second year of operation.

The Performance Audit Report identified weaknesses in the existing accounting practices; we fully support the recommendation for change to the four items identified in this report:

- Reconcile reported parking garage revenue to the City's accounting records.
- Review and analyze the use of miscellaneous tickets.
- Monitor parking revenue procedures and records of the garage operators.
- Ensure that all subcontracts are pre-approved in writing and that key items such as rate are included.

The PABC under my direction prior to receiving the Performance Audit Report had a one-hour conference with each operator to review my requirements related to the management of the City's facilities. Items discussed were reports, cleanliness, objectives and security. Included for your review is a copy of the agenda used during that conference.

Ms. Yovonda D. Brooks, CPA
September 13, 2002
Page 2

Additionally, since receiving the Performance Audit Report, the PABC have implemented new guidelines and measures to the operators regarding their reporting and tracking of revenue. Included for your review is a copy of an e-mail to all operators notifying them effective September 17th they are to deliver to our administrative offices all daily activity reports and supporting documents for the prior week activity.

Also, the PABC has created a position and reassigned a staff member to perform the necessary audit and reconciliation of documents identified as a weakness in our accounting practices. A procedure manual for the process of audit and reconciliation will be developed and implemented within 30 days of this response. These procedures will include review and analysis of the operator's miscellaneous tickets that will identify and track accounts receivables and no charge transactions. Included for your review is a copy of that job description.

The PABC Board of Directors recently authorized the staff to implement a pilot program to remove the monthly parkers activity from the operator and assume that function within the PABC. On or before November 1, 2002, Intergrapark, a computer software firm, is prepared to integrate the current revenue control equipment to implement this program.

The recommendation to pre-approve in writing subcontract agreements prior to the work being completed is possible only when the circumstance prohibits. In many scenarios the operator is required to call the vendor for emergency situations, i.e. elevators. The PABC will notify all operators unless the situation is classified as an emergency, they will be required to submit three (3) estimates prior to the work being performed.

I hope the above comments address the concerns of your team and will provide the PABC a stronger accounting mechanism to track and manage the City's revenue and expenditures when it relates to the management of garage facilities.

Please thank your team again for the professionalism they demonstrated during this process. If you require any additional information, please contact me on (410) 396-6984 or via e-mail at jeffsparrow@baltimorecity.gov.

Respectfully,

Jeff Sparrow
Executive Director

Enclosures

JS/JKB/

cc: PABC Board Members